

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

AMEREN ILLINOIS COMPANY)	
d/b/a Ameren Illinois,)	
)	Docket No. 13-0476
)	
Revenue-neutral tariff changes related to rate)	(Rehearing)
design. (tariffs filed on July 22, 2013))	

INITIAL BRIEF OF THE STAFF OF THE
ILLINOIS COMMERCE COMMISSION ON REHEARING

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NOW COME the Staff witnesses of the Illinois Commerce Commission (“Staff”), by and through their undersigned counsel, pursuant to Section 200.800 of the Illinois Commerce Commission’s Rules of Practice (83 Ill. Adm. Code 200.800), and respectfully submit their Initial Brief in the instant rehearing proceeding.

I. INTRODUCTION

A. Background

On July 22, 2013, Ameren Illinois Company (“AIC”, “Ameren” or “Company”) filed with the Illinois Commerce Commission (“Commission”) the rate design formula tariff provisions of Rate MAP-P (“Modernization Action Plan – Pricing Tariff”), in accordance with Section 16-108.5(e) of the Public Utilities Act (“Act”). Ameren Illinois Company, ICC Suspension Order, Docket No. 13-0476, 1 (August 14, 2013). Section 16-108.5(e) permits the Commission, after notice and hearing, to enter an order approving or approving with modification, proposed changes to Rate MAP-P. *Id.*

Section 16-108.5(c) provides in part, that any changes ordered by the Commission are to be made at the same time new rates take effect following the

Commission's next order pursuant to subsection (d)¹ of 16-108.5, provided that the new rates take effect no less than 30 days after the date on which the Commission issues an order adopting the change. 220 ILCS 5/16-108.5(c). The procedural schedule in the docket contemplated a Commission final order in March of 2014. Any changes ordered by the Commission in this docket would not take effect until January 1, 2015.

On September 11, 2013, an initial status hearing was held in this matter. Ameren, Staff, the People of the State of Illinois by Attorney General Lisa Madigan ("AG" or "the People"), the Citizens Utility Board ("CUB"), the Illinois Industrial Energy Consumers ("IIEC"), and the Grain and Feed Association ("GFA") agreed on a schedule for the filing of testimony. (Tr., p. 13.)

The following Staff witnesses provided testimony: Philip Rukosuev (Direct, Staff Ex. 1.0C and Rebuttal, Staff Ex. 4.0), Cheri L. Harden (Direct, Staff Ex. 2.0 and Rebuttal, Staff Ex. 5.0), and Mary H. Everson (Direct, Staff Ex. 3.0C and Rebuttal, Staff Ex. 6.0).

In accordance with the agreed to schedule, an evidentiary hearing was held on December 11, 2013. Testimony was offered by Staff, Ameren, AG, IIEC, and GFA into evidence, either by supporting witness testimony or by affidavit. The Administrative Law Judge ("ALJ") admitted the parties' respective testimony and attachments and exhibits into evidence.

On March 19, 2014, the Commission entered its Final Order in this matter.

¹ Subsection (d) of Section 16-108.5 allows for hearing concerning the annual update to the cost inputs of the Company's formula rate. In a proceeding under subsection (d), the Commission is to enter its order no later than the earlier of 240 days after the utility's filing of its annual update of cost inputs to the performance-based formula rate or December 31. 220 ILCS 5/16-108.5(d). Ameren Illinois Company made its subsection (d) filing on April 19, 2013. The matter was docketed as Docket No. 13-0301. 240 days from the filing of Ameren Illinois Company's formula rate update filing is December 15, 2013.

B. Rehearing

This matter comes before the Commission on rehearing from its March 19, 2014 Final Order in this proceeding. On May 8, 2014, the Commission granted in part the Verified Petition for Rehearing ("Petition for Rehearing") of the People of the State of Illinois, by and through Lisa Madigan, Attorney General of the State of Illinois. The AG identified two main issues in its Petition for Rehearing. First, the AG requested the Commission grant rehearing to address policy issues related to its proposal to use a straight fixed variable ("SFV") rate design for the DS-1 Customer Charge. Second, the AG requested the Commission grant rehearing on the phase in for DS-4 customers assuming their full responsibility for paying the Electric Distribution Tax ("EDT"). (Verified Application for Rehearing of the People of the State of Illinois, April 18, 2014, pp. 6-18.)

In its conclusion to the Memorandum to the Commission, the ALJ made the following determination:

With regard to the AG's request for rehearing regarding the SFV rate design and the impact on various DS-1 and DS-2 customers, I believe the record was lacking regarding this issue. It appears to me that the Commission may benefit from taking additional evidence on this issue on rehearing. For these reasons, I recommend that the Commission deny IIEC's request for rehearing, grant the AG's request for rehearing in part, and deny that request in part. Specifically, I recommend that the Commission grant rehearing only on the issues surrounding the AG's proposed rate design for the DS-1 and DS-2 rate classes and the rate shock for some such customers.

(Memorandum to the Commission, May 7, 2014, pp. 2-3.)

Following the granting of the Petition for Rehearing, the ALJ issued a ruling to the parties on May 20, 2014, instructing them to provide the following information during the rehearing:

Notice is also given by the Administrative Law Judge that the parties are instructed to provide the following information based upon the revenue requirement proposed in Docket number 14-0317:

A comparison of how many residential customers would see an increase; how many would see a decrease, and how the specific classes of customers would be affected under the Attorney General's ("AG's") rate design and the Straight Fixed Variable ("SFV") rate design;

An analysis similar to Ameren Exhibit 7.1, comparing the SFV and AG residential rate designs, including residential bill impact comparisons at various usage levels, and comparing the changes in rates under the two proposals based on usage in January and August or such months as would illustrate the effects on winter and summer high-usage and low-usage bills;

A comparison of the changes between residential customer bills resulting from each of the two proposals as compared to the changes in rates and bills which resulted in the initiation of Docket No. 07-0165;

A comparison of the changes between residential customer bills resulting from each of the two proposals as compared to the changes in bills resulting from the rates which were approved in Docket No. 07-0165, that is the changes that mitigated the rate shock that caused the initiation of 07-0165;

The type of information provided in AG Ex. 2.1, comparing residential customer bills under the SFV rate design and under the AG rate design, to the extent it can be provided.

(Notice of Continuance of Hearing and Notice of Administrative Law Judge's Ruling, May 20, 2014, pp. 1-2.)

C. Summary of Staff's Recommendation

Based upon the information provided about the bill impacts related to the use of a traditional rate design for DS-1 Customer Charge, as the AG proposed, and Ameren's SFV rate design proposal in this docket, Staff proposes an alternative rate design in which the bill impacts fall between the two rate design proposals. (Staff Ex. 1.0R, p. 1.) If the Commission is inclined to move away from an SFV rate design as was previously

indicated in its Order in this proceeding (Order, March 19, 2014, pp. 101-102), then Staff recommends the Commission adopt the alternative rate design. This alternative rate design produces bill impacts that fall between those produced by the AG's traditional rate design and the Company's SFV rate design. (Staff Ex. 1.0R, p. 2.)

II. RATE DESIGN

A. Purpose of the Rehearing

The purpose of this rehearing is to provide the Commission with additional evidence about the bill impacts of moving away from an SFV rate design for residential customers. The use of a SFV rate design means that Ameren proposes to recover a fixed percentage of the DS-1 revenue requirement from the monthly non-volumetric (kWh) charges. (Ameren Ex. 2.0, p. 22.) The Proposed Order ("PO") in this docket rejected Ameren's proposed SFV rate design for residential customers and, instead, accepted the AG's proposed traditional rate design for residential customers. (ALJPO, February 4, 2014, p. 99.) As a result, the parties' Briefs on Exceptions ("BOE") in the original hearing discussed many factors that could have a compounding effect on the electric bills of Ameren's high-use space heat customers if the AG's proposed traditional rate design were implemented. These high-use space heat customers were previously subjected to sudden high increases at the end of a ten-year rate freeze in 2007. The magnitude of the increases may be disproportionally greater than the Commission anticipates for electric space heat customers because of the factors that could cause a compounding effect listed in the parties' BOEs.

Although the Commission acknowledged the merits of the AG's proposal, and generally supported a rate design which encouraged residential customers to reduce

energy usage and increase energy efficiency, the final Order reversed the PO because the Commission indicated it was not confident that the merits of the AG's proposal outweighed the negative effects on electric space heating customers. (Order, March 19, 2014, pp. 101-102.)

B. ALJ's Ruling

The ALJ's Ruling on May 20, 2014 provided guidelines for information to be provided in testimony for the rehearing and specified that the information should be based on the revenue requirement proposed in Docket No. 14-0317.

In the ALJ's May 20, 2014 Ruling, the first set of information to be provided was: A comparison of how many residential customers would see an increase; how many would see a decrease, and how the specific classes of customers would be affected under the AG's rate design and the SFV rate design.

Based upon the information Staff received from the Company and reviewed in the Company's response to Staff Data Request ("DR") CLH 1.05R, the range of change for Rate Zone ("RZ") I – Metro East customers is anywhere from a 20% decrease to a 75% increase under the AG's traditional rate design, compared to a more narrow range of impact that provides an increase between 30% - 40% for the same customers under the Company's SFV rate design. There is a similar percent change for RZ I – Space Heat customers (former Rider 5 Premises) under both rate designs. For RZ I – Non-Space Heat customers (excludes Metro East and Space Heating customers) the range also starts as a 20% decrease but spans to a 90% increase under the AG's traditional rate design while the Company's SFV rate design has a range of a 30% to 50% increase. (Staff Ex. 1.0R, pp. 4-5; Attachment 1.01R.)

The range of change for RZ II - all customers is anywhere from a 20% decrease to a 60% increase under the AG's traditional rate design, with the majority of customers having a 5% - 30% increase, compared to an increase of 0% - 30% for the same customers under the Company's SFV rate design, with the majority of customers having a 15% - 25% increase. (Staff Ex. 1.0R, p. 5.)

The range of change for RZ III – Space Heat customers (former SC 2 Electric Heat Premises) is anywhere from a 20% decrease to a 60% increase under the AG's traditional rate design, with the majority of customers having a 20% - 40% increase, compared to an increase of 25% - 30% for the same customers under the Company's SFV rate design, with the majority of customers having a 25% increase. The range of change for RZ III – Non-Space Heat customers is anywhere from a 20% decrease to a 60% increase under the AG's traditional rate design, with the majority of customers having a 10% - 40% increase, compared to an increase of 25% - 30% for the same customers under the Company's SFV rate design, with the majority of customers having a 25% increase. *Id.*

Staff concludes the following from the above information. The AG's traditional rate design produces bill impacts of greater breadth and magnitude than the Company's SFV rate design. The highest increase under the Company's SFV rate design is 50%. The increases under the AG's traditional rate design go as high as 90% with 13,137 customers' bills potentially increasing more than 50% and 48 customers potentially increasing more than 70%. While these customers represent a small percentage of the 1,095,802 total residential customers, the increase shown for these customers is significant under the AG's rate design. *Id.*, p. 6.

The second set of information the ALJ sought from the parties was: An analysis similar to Ameren Exhibit 7.1, comparing the SFV and AG residential rate designs, including residential bill impact comparisons at various usage levels, and comparing the changes in rates under the two proposals based on usage in January and August or such months as would illustrate the effects on winter and summer high-usage and low-usage bills.

Based upon the information Staff received from the Company and reviewed in the Company's response to Staff DR CLH 1.06R, Staff concluded the following regarding the analysis of information similar to Ameren Exhibit 7.1: the differences between the AG's traditional and the Company's SFV rate designs shown in the response to Staff DR CLH 1.06R demonstrate the AG's traditional rate design shifts recovery from lower-use, general customers to higher-use, space heat customers compared to the Company's SFV rate design. The increases under the AG's traditional rate design are significantly higher at the highest usage levels. *Id.*, pp. 6-7.

The third item of information the ALJ sought from the parties was: A comparison of the changes between residential customer bills resulting from each of the two proposals as compared to the changes in rates and bills which resulted in the initiation of Docket No. 07-0165. (Docket No. 07-0165 investigated increases in charges to the Residential Space Heating class of each of the Ameren companies that was substantially higher than the average bill increases for Ameren residential customers, as a whole, that resulted from the Docket Nos. 06-0070, 06-0071, and 06-0072 (Cons.) rate Order.) *Id.*, p. 7.

Based upon the information Staff received from the Company and reviewed in the Company's response to Staff DR CLH 1.07R, the percent change was much larger

for the rates effective January 2, 2007, than would be the case with either of the two rate designs proposed in this docket. For RZ I - General Use customers, the annual increase was 29.6% in 2007, compared to both rate designs in this docket having a 12.9% increase. For RZ I - Space Heat customers, the annual increase was 56% in 2007, compared to a 10.3% increase for the Company's SFV rate design and a 12.8% increase for the AG's traditional rate design. *Id.*

The January monthly increase for 2007 ranged as high as slightly over 200% for some customers, while the highest January monthly increase noted for the Company's SFV rate design is 15.8% and for the AG's traditional rate design is 11.4%, while the potential August monthly increases were much lower for both proposed rate designs. *Id.*, p. 8.

From an analysis of this information, Staff concludes the magnitude of the bill increases that would result from either the AG's traditional or the Company's SFV rate designs would be significantly less than those that resulted from the Docket Nos. 06-0070, 06-0071, and 06-0072 (Cons.) rate Order. *Id.*

The fourth item of information the ALJ sought from the parties was: A comparison of the changes between residential customer bills resulting from each of the two proposals as compared to the changes in bills resulting from the rates which were approved in Docket No. 07-0165, that is the changes that mitigated the rate shock that caused the initiation of 07-0165.

Based upon the information Staff received from the Company and reviewed in the Company's response to Staff DR CLH 1.08R, Staff concludes that when the Company's response to Staff DR CLH 1.08R is evaluated in conjunction with the Company's response to Staff DR CLH 1.07R, it shows that the magnitude of the bill

increases that would result from either the AG's traditional or the Company's SFV rate designs would be significantly less than those that resulted from the rate mitigation the Commission approved in Docket No. 07-0165. *Id.*, pp. 8-9.

In an effort to provide some clarity and a side by side view of both the AG's and the Company's rate designs, Staff then combined the DR responses to CLH 1.07R and CLH 1.08R and created Schedule 1.01R. This schedule shows the combined total bill impacts of the AG's traditional and the Company's SFV rate designs in this docket. (Staff Ex. 1.0R, Schedule 1.01R.) Schedule 1.01R shows that both the AG's traditional and the Company's SFV rate designs in this docket, generally, have total bill impacts that are much lower than those that result from the mitigated rates that became effective as a result of Docket No. 07-0165. (Staff Ex. 1.0R, p. 9.)

The fifth and final item of information the ALJ sought from the parties was: The type of information provided in AG Ex. 2.1, comparing residential customer bills under the SFV rate design and under the AG rate design, to the extent it can be provided.

Based upon the information Staff received from the Company and reviewed in the Company's response to Staff DR CLH 1.09R, Ameren reflected that the information was contained in the response so Staff DR CLH 1.05R in a similar format to AG Exhibit 2.1 and was in fact, included with the response to Staff DR CLH 1.05R. *Id.*, p. 10.

In addition to the information the ALJ specifically requested, Staff also reviewed the Company's response to Staff DR CLH 1.01R, which provides bill comparisons (\$ and % changes) applying the AG's traditional rate design to the Company's proposed revenue requirement in Docket No. 14-0317. The Company's schedule E-9 showed the Company's application of its SFV rate design to the revenue requirement the Company proposed in Docket No. 14-0317. With respect to the AG's rate design, Staff observed

the range of change for RZ I customers is anywhere from an 8.89% decrease to a 19.49% increase, the range of change for RZ II customers is anywhere from a 10.57% decrease to a 17.71% increase, the range of change for RZ III customers is anywhere from a 9.21% decrease to an 18.56% increase. *Id.*, pp. 11-12.

Staff concludes from the information contained within both the AG's rate design and Ameren's SFV rate design that the two rate designs result in changes in an opposite manner: the Company's SFV rate design has a bigger increase for lower usage levels ranging from a 19.49% increase at the lowest usage and a 7.30% increase at the highest usage for RZ I customers. The AG's traditional rate design has a smaller change for lower usage levels, ranging from an 8.89% decrease at the lowest usage and a 14.47% increase at the highest usage indicating that conservation can help to keep a customer's bill lower. This DR response also shows similar results for RZ II and RZ III customers. *Id.*, p. 12.

As a result of reviewing all the information sought by the ALJ and Staff regarding the AG's rate design proposal and Ameren's SFV rate design proposal, Staff concludes that applying the AG's traditional rate design to the revenue requirement proposed in Docket No. 14-0317 would produce significant increases for some large-use customers compared to the increases that would result from the application of the Company's SFV rate design. The increases under the AG's traditional rate design go as high as 90%, with 13,137 customers having a potential increase greater than 50% and 48 customers having a potential increase of more than 70%. While these customers represent a small percentage of the 1,095,802 total residential customers, the increase these customers could receive as a total bill is significant. However, both the AG's traditional and the Company's SFV rate designs would generally produce increases lower than those that

resulted from the rate mitigation the Commission approved in Docket No. 07-0165. *Id.*, pp. 12-13.

B. Staff's Recommendation

Therefore, Staff proposes an alternative as a middle ground between the two rate designs that could mitigate high bill impacts for higher-use customers while still moving away from an SFV rate design, if that is what the Commission is inclined to do as expressed in its Order. (Order, March 19, 2014, pp. 101-102.) Staff Exhibit 1.0R, Schedule 1.02R, shows the results of Staff's rate design recommendation and the resulting bill impacts on residential customers. This recommendation would collect 36% of fixed costs in the Customer Charge, which lies approximately half-way between the inclusion of 44.8% of fixed costs in the customer charge under the Company's SFV rate design and 27.29% of fixed costs in the customer charge, which would reflect only customer-related costs under the AG's traditional rate design. Staff calculated the resulting rates by substituting 36% in place of the Company's 44.8% in the spreadsheet for Ameren Exhibit 8.6 submitted in Docket No. 14-0317. The 36% then carries through the spreadsheet as shown in Schedule 1.02R. (Staff Ex. 1.0R, p. 14 and Schedule 1.02R.)

In addition, Staff Exhibit 1.0R, Schedule 1.03R, shows the bill impacts resulting from Staff's recommendation that falls between those produced by the AG's traditional rate and the Company's SFV rate designs. The Company's response to Staff DR CLH 2.01R shows that 83 customers would receive between a 50% - 55% increase under Staff's alternative rate design compared to 13,137 customers' bills potentially increasing more than 50% and 48 customers increasing more than 70% for the AG's traditional

rate design. The Company's response to Staff DR CLH 2.01R does not show any customers' bills increasing more than 55% from Staff's alternative rate design. (Staff Ex. 1.0R, Attachment 1.01R.) Staff's recommendation reduces the amount of customers that would be affected when the new rates are implemented. It should be noted that the Company's SFV rate design is shown to impact the fewest customers, while the AG's traditional rate design produces large increases for some high-use customers when applied to the revenue requirement proposed in Docket No. 14-0317. (Staff Ex. 1.0R, pp. 14-15.)

The benefits of Staff's alternative recommendation would be to mitigate the rate impact that results in moving directly from the current SFV rate design to a traditional rate design, that is, changing the Customer Charge from collecting 44.8% of fixed costs to collecting only customer-related costs through the customer charge (the current customer-related costs comprise 27.29% of fixed costs). *Id.*, p. 13. Taking all of this into consideration, Staff believes that implementing its alternative recommendation on a going-forward basis would be more beneficial if the Commission intends to return to traditional rate design. By limiting the bill impacts at this stage, additional steps in either direction can be taken in future dockets.

Staff also recommends that Ameren continue to be vigilant in the maintenance of uniformity in the customer and meter charges that have already been established among Ameren's rate zones. (Staff Ex. 2.0RH, p. 8.)

III. CONCLUSION

WHEREFORE, for all of the foregoing reasons, Staff respectfully requests the Commission's order in this proceeding reflect all of Staff's recommendations regarding the Company's tariff's and charges submitted pursuant to Section 16-108.5(e) of the Public Utilities Act.

July 29, 2014

Respectfully submitted,

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